

**The Economic Effects on Michigan of the
Saint-Gobain Sekurit Facility Location Decision**

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Abstract

Saint-Gobain Sekurit is considering establishing a manufacturing facility in Shelby Township, Michigan, to receive tempered and laminated automotive glass and, through light manufacturing operations, to add value to the product, including extrusions onto glazings, light assembly and injection molding. The facility would employ an additional 400 people by 2006. We estimate that by 2013, this location will have generated a total of 648 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would increase by \$19,483,000 (2001 dollars) due to the location of Saint-Gobain Sekurit.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Saint-Gobain Sekurit establishing a manufacturing facility in Shelby Township, Michigan, to receive tempered and laminated automotive glass and, through light manufacturing operations, to add value to the product, including extrusions onto glazings, light assembly and injection molding (SIC 3714). Investment activity would take place between 2002 and 2005, with an investment of \$24.5 million. The facility would employ an additional 400 people by 2006.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2002 to 2013, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2002 to 2011 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project, and equal to 50 percent for the period 2012 to 2013.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The construction activity is expected to generate a total of 17 jobs in 2002, 13 jobs in 2003, 14 jobs in 2004, and 11 jobs in 2005; almost all of these jobs are temporary. In 2006, the first year of full operations, an additional 683 jobs are generated in the state. We estimate that by 2013, this location will have generated a total of 648 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the location averages 1.6 over the period 2006 to 2013. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Saint-Gobain Sekurit were to locate in Michigan under the incentive program, state personal income in 2006 would be higher by \$38.5 million (in current dollars) than it would be without the facility, and in 2013 it would be \$50.3 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$27.9 million in 2006 and \$33.3 million in 2013.

The gain in economic activity results in higher state government revenues. We estimate that in 2006, the first year of full operations, the facility would generate \$3,080,000 in additional gross state government revenue, and that the MEGA package would provide an \$663,000 incentive to Saint-Gobain Sekurit. Thus, the Saint-Gobain Sekurit facility location would increase state government revenues in 2006 by \$2,417,000, net of MEGA incentive costs.

Over the period 2002 to 2013, gross state government revenue is projected to increase by \$34,240,000 (in current dollars) due to the location of Saint-Gobain Sekurit. The MEGA incentive package for Saint-Gobain Sekurit is forecast to cost \$6,472,000 over the period, resulting in a net increase in state government revenue of \$27,768,000. Adjusted for inflation, the total net increase in state government revenue from 2002 to 2013 would be \$19,483,000 in 2001 dollars. These calculations do not include any revenue losses due to the property tax abatement or the Investment Tax Credit. If the costs of the tax abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Saint-Gobain Sekurit Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2002	2003	2004	2005	2006	2010	2013	Total 2002-2013
Total Employment	183	298	438	544	683	636	648	—
Manufacturing	98	164	248	313	402	400	400	—
Nonmanufacturing	85	134	190	231	281	236	248	—
Retail Trade	20	31	45	54	66	53	53	—
Services	29	42	57	67	77	55	59	—
Other	36	61	88	110	138	128	136	—
In current dollars (thousands):								
Personal income	8,000	14,100	22,200	29,300	38,500	44,800	50,300	428,000
Gross state revenue	640	1,128	1,776	2,344	3,080	3,584	4,024	34,240
MEGA cost	131	236	372	495	663	772	434	6,472
State revenue net of MEGA cost*	509	892	1,404	1,849	2,417	2,812	3,590	27,768
Adjusted for inflation (thousands of 2001 dollars):								
Personal income	6,605	11,039	17,062	21,836	27,906	30,789	33,272	300,733
Gross state revenue	528	883	1,365	1,747	2,232	2,463	2,662	24,058
MEGA cost	108	185	286	369	480	531	287	4,575
State revenue net of MEGA cost*	420	698	1,079	1,378	1,752	1,932	2,375	19,483

*These estimates do not include any state government revenue losses due to the Investment Tax Credit or the property tax abatement.